

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 NEA-11 ISO-00 EB-08 AGR-05
AID-05 CIAE-00 FRB-03 INR-10 NSAE-00 ICA-11
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-07 CEA-01 DOE-15 SOE-02 (ISO) W
-----125806 191447Z /46

R 191210Z JUN 78
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 3266
INFO USDOC WASHDC
AMEMBASSY BERLIN
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
USINT HAVANA
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E.O.11652:N/A
TAGS:ETRD, XX, UR
SUBJECT: SOVIET FOREIGN TRADE IN FIRST QUARTER OF 1978

SUMMARY: SOVIET STATISTICS ON FIRST QUARTER TRADE

INDICATE CONTINUED EFFORT TO RESTRAIN IMPORTS FROM WEST. IMPORTS FROM WEST FELL BY 1.3 PERCENT COMPARED TO SAME PERIOD IN 1977. INCIDENCE WAS UNEVENLY DISTRIBUTED, WITH JAPANESE IMPORTS FALLING 34 PERCENT AND GERMAN 12 PERCENT. IMPORTS FROM US WERE STAGNANT, WHEREAS THOSE FROM UK AND FRANCE INCREASED SIGNIFICANTLY (103 PERCENT AND 27 PERCENT, RESPECTIVELY) IMPORTS FROM ITALY INCREASED, BUT ONLY BY 5 PERCENT. SOVIET EXPORTS TO FRG AND FRANCE INCREASED 44 PERCENT AND 22 PERCENT, RESPECTIVELY, WHEREAS EXPORTS TO JAPAN AND ITALY FELL BY 19 AND 9 PERCENT, RESPECTIVELY. ONLY MAJOR WESTERN TRADING PARTNER WITH WHICH SOVIETS ENJOYED SURPLUS WAS ITALY (\$8.7 MILLION). OVERALL SOVIET HARD-CURRENCY TRADE DEFICIT WAS \$1,353 MILLION. WITH REGARD TO TRADE WITH CEMA COUNTRIES, TRADE WAS BROUGHT INTO MUCH GREATER BALANCE THROUGH 21 PERCENT INCREASE IN SOVIET IMPORTS. SOVIET SURPLUS WAS REDUCED TO R88 MILLION FROM R518 MILLION LAST YEAR. SOVIETS CONTINUED TO INCREASE SURPLUS IN TRADE WITH LDC'S, FROM R315 MILLION TO R547 MILLION. END SUMMARY.

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1. SOVIET FOREIGN TRADE TURNOVER FOR FIRST QUARTER 1978 WAS 16,310 MILLION RUBLES (\$23,452 MILLION AT PRESENT OFFICIAL EXCHANGE RATE OF 1R\$1.4397), A GROWTH OF 8.8 LIMITED OFFICIAL USE

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PERCENT. (TRADE GREW BY 11.6PERCENT IN 1977.) SOVIET EXPORTS AMOUNTED TO R7,895 MILLION (\$11,366 MILLION) AND IMPORTS TO R8,414.5 MILLION (\$12,114 MILLION). IMPORTS GREW AT FASTER RATE THAN EXPORTS (10.0 PERCENT COMPARED TO 7.6 PERCENT). GREATEST RATE OF GROWTH WAS WITH "SOCIALIST" COUNTRIES, WHERE OVERALL TRADE GREW BY 14.2 PERCENT TO R9773 MILLION BUT IMPORTS BY 21.8 PERCENT. TRADE WITH DEVELOPED WESTERN COUNTRIES ACTUALLY FELL BY 1.3 PERCENT TO R4558 MILLION (\$6562 MILLION), WITH A FALL IN IMPORTS OF 2.6 PERCENT. ACCORDING TO OUR CALCULATIONS, SOVIET HARD-CURRENCY DEFICIT IN FIRST QUARTER OF 1978 WAS APPROXIMATELY R940 MILLION OR \$1,353 MILLION. TRADE WITH LDC'S GREW BY 9.3 PERCENT TO R1979 MILLION (\$1409 MILLION). THIS GROWTH WAS DUE TO AN 18.8 PERCENT GROWTH IN SOVIET EXPORTS, COMPARED WITH 4.3 PERCENT DECREASE IN IMPORTS.

2. TRADE WITH DEVELOPED WESTERN COUNTRIES. SOVIET IMPORTS DECLINED UNEVENLY BY ABOUT THREE PERCENT. IMPORT FROM JAPAN FELL BY 34 PERCENT TO R337 MILLION (\$485 MILLION), FROM THE FRG BY 12 PERCENT TO R503 MILLION (\$724 MILLION) AND FROM THE US STOOD PRACTICALLY STILL

AT R441 MILLION (\$635 MILLION). ON THE OTHER HAND,
IMPORTS FROM THE UK MORE THAN DOUBLED TO R191 MILLION
(\$275 MILLION), FROM FRANCE GREW BY 27 PERCENT TO R289
MILLION (\$416 MILLION), AND FROM ITALY GREW 5 PERCENT TO
R219 MILLION (\$315 MILLION). TRADE WITH FINLAND, WHICH
IS USUALLY NEARLY BALANCED, SHOWED A R113 MILLION (\$163
MILLION) SURPLUS FOR FINLAND, OCCASIONED BY A 30 PERCENT
INCREASE IN IMPORTS FROM FINLAND AT SAME TIME THAT SOVIET
EXPORTS FELL BY 13 PERCENT. TOTAL TRADE WITH FINLAND
REACHED R473 MILLION (\$681 MILLION), A GROWTH OF 10
PERCENT.

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-----125811 191448Z /46

R 191210Z JUN 78
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 3267
INFO USDOC WASHDC
AMEMBASSY BERLIN
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3. SOVIET EXPORTS TO WESTERN DC'S AS GROUP REMAINED
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STAGNANT AT R1729 MILLION (\$2489 MILLION), BUT ONCE AGAIN PERFORMANCE WAS UNEVEN WITH REGARD TO INDIVIDUAL COUNTRIES. SOVIET EXPORTS TO FRG, FOR EXAMPLE, GREW BY 44 PERCENT TO R301 MILLION (\$433 MILLION), WHEREAS EXPORTS TO JAPAN FELL BY 19 PERCENT TO R154 MILLION (\$222 MILLION). EXPORTS TO FRANCE INCREASED BY 22 PERCENT TO R189 MILLION (\$272 MILLION) AND TO ITALY FELL BY 9 PERCENT TO R228 MILLION (\$328 MILLION). USSR ENJOYED FAVORABLE BALANCE ONLY WITH ITALY (\$8.7 MILLION) AMONG USSR'S MAJOR WESTERN TRADING PARTNERS.

4. TRADE WITH CEMA COUNTRIES. MOST INTERESTING DEVELOPMENT IN THIS TRADE WAS LARGE INCREASE IN SOVIET IMPORTS FROM THESE COUNTRIES OF 21 PERCENT. THIS BROUGHT TRADE ALMOST INTO BALANCE, WITH USSR ENJOYING ONLY A R88 MILLION SURPLUS COMPARED TO R518 MILLION SURPLUS IN SAME PERIOD LAST YEAR. TRADE TURNOVER WITH THESE COUNTRIES GREW AT ABOVE AVERAGE RATE OF 14.5 PERCENT. GREATEST PERCENTAGE INCREASES IN IMPORTS WERE WITH GDR (19), BULGARIA (17), POLAND (16), CZECHOSLOVAKIA (16), HUNGARY (13), AND CUBA (66). IN ALL CASES EXCEPT BULGARIA SOVIET EXPORTS INCREASED BY MUCH SMALLER PERCENTAGE. FOR BULGARIA INCREASE WAS 24 PERCENT.

5. OTHER "SOCIALIST" COUNTRIES. SOVIET TRADE TURNOVER WITH YUGOSLAVIA INCREASED VERY LITTLE (2.5 PERCENT), BUT IMPORTS GREW 15 PERCENT WHILE EXPORTS FELL BY 10 PERCENT, RESULTING IN A R62 MILLION DEFICIT IN THIS TRADE WHICH IS NORMALLY MORE NEARLY BALANCED. TRADE WITH PRC SHOWED LARGE 33 PERCENT INCREASE, ALTHOUGH TOTAL AT R76 MILLION IS STILL SMALL. ALMOST ALL THIS INCREASE WAS IN SOVIET IMPORTS, WHICH INCREASED BY 64 PERCENT TO R43.3 MILLION, GIVING A SOVIET DEFICIT OF
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R18 MILLION. TRADE WITH VIETNAM INCREASED BY ONLY 10 PERCENT TO R 106 MILLION AND SOVIET SURPLUS NARROWED TO R25 MILLION FROM R50 MILLION LAST YEAR.

6. DEVELOPING COUNTRIES. SOVIET TRADE WITH THESE COUNTRIES CONTINUED TO GROW AT FASTER RATE THAN WITH WESTERN DC'S. GROWTH RESULTED ENTIRELY FROM INCREASE IN SOVIET EXPORTS, WITH SOVIET SURPLUS INCREASING FROM R315 MILLION IN SAME PERIOD OF 1977 TO R547 MILLION THIS YEAR. MOST STRIKING EXAMPLE WAS DOUBLING OF SOVIET EXPORTS TO IRAN TO R162 MILLION AND SURPLUS OF R83 MILLION. SOVIET RELATIONSHIP WITH ANGOLA IS SHOWN THROUGH QUADRUPLING OF TRADE, ALL SOVIET EXPORTS, TO R19 MILLION. AS HAS BEEN THE CASE OVER LAST YEAR, SOURCE OF GROWTH WITH THIS GROUP IS NOT EVIDENT FROM INDIVIDUAL COUNTRY STATISTICS. FOR FIRST TIME, SOVIET STATISTICS LIST PUERTO RICO, INDICATING SOVIET EXPORTS TO PUERTO RICO OF LESS THAN \$72,000.

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7. COMMENT: ALTHOUGH CAUTION MUST BE EXERCIZED IN JUDGING FIRST QUARTER STATISTICS, WHERE SEASONAL AND OTHER PERHAPS SHORT TERM FACTORS MAY DISTORT TRADE PATTERN, IT WOULD APPEAR THAT SOVIET DRIVE TO REDUCE IMPORTS FROM WESTERN DC'S HAS CONTINUED INTO FIRST PART OF 1978. NEVERTHELESS, SOVIET HARD CURRENCY DEFICIT IN FIRST QUARTER IS STILL SIGNIFICANT AND IF PROJECTED TO WHOLE YEAR, WOULD LEAD TO SIZEABLE INCREASE IN SOVIET HARD-CURRENCY DEFICIT OVER THAT OF 1977. FOR THIS REASON, WE WOULD EXPECT TO SEE CONTINUED SOVIET EFFORT TO LIMIT IMPORTS FROM

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INFO USDOC WASHDC
AMEMBASSY BERLIN

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WESTERN DC'S, ALTHOUGH INCREASED SOVIET GRAIN IMPORTS
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THIS YEAR ARE A LIMITING FACTOR ON SOVIET ABILITY TO
KEEP SUCH IMPORTS TO SAME LEVELS AS LAST YEAR. FIRST
QUARTER RESULTS INDICATE THAT THOSE NON-GRAIN-
EXPORTING WESTERN DC'S ENJOYING INCREASES IN EXPORTS
TO USSR ARE THOSE OFFERING MOST FAVORABLE GOVERNMENT-
BACKED FINANCING FOR THEIR EXPORTS.

8. FIRST QUARTER STATISTICS SUGGEST EAST EUROPEANS EITH
WON SOVIET ASSENT TO HIGHER PRICES FOR THEIR EXPORTS OR
ELSE SUBSTANTIALLY INCREASED VOLUME OF SALES. LAST
YEAR USSR HAD 1,656 MILLION RUBLE SURPLUS WITH THESE
COUNTRIES, A SITUATION WHOSE CONTINUATION PRESUMABLY
WOULD BE UNSATISFACTORY TO SOVIETS OVER LONGER TERM.
FIRST QUARTER'S DEFICIT PROJECTED FOR WHOLE YEAR WOULD
BE APPROXIMATELY 350 MILLION RUBLES, A VAST IMPROVEMENT
FROM SOVIET POINT OF VIEW. CONTINUED EFFORT OF EAST
EUROPEANS TO MEET GOAL OF MORE NEARLY BALANCED TRADE
WITH USSR MAY INHIBIT THEM IN DEVELOPING TRADE
WITH WEST, A RESULT WHICH PRESUMABLY DOES NOT DISTURB
SOVIETS. MATLOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, IMPORTS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 19 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MOSCOW14110
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780255-0194
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780644/aaaabmhe.tel
Line Count: 329
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d9f64086-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2299848
Secure: OPEN
Status: NATIVE
Subject: SOVIET FOREIGN TRADE IN FIRST QUARTER OF 1978 SUMMARY: SOVIET STATISTICS ON FIRST QUARTER TRADE INDICATE CONTINUED EFFORT TO RESTRAIN IMPORTS FROM
TAGS: ETRD, XX, UR
To: STATE
Type: TE
vdkgvwkey: odbcc://SAS/SAS.dbo.SAS_Docs/d9f64086-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014